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SIPDIS

SENSITIVE

STATE FOR WHA/BSC, WHA/PPC, EB/IFD/OIA, AND G/TIP
STATE PASS TO USAID FOR LAC/AA
STATE PASS TO USTR FOR SCRININ AND LYANG
NSC FOR KIM BREIER
TREASURY FOR OSIA MAUREEN WAFER
TREASURY FOR OTA WARFIELD, VAN KOCH, MILLAR
COMMERCE FOR ITA SARAH COOK
SOUTHCOM FOR POLAD DAN JOHNSON

E.O. 12958: N/A

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SUBJECT: PARAGUAY POLITICAL AND ECONOMIC UPDATE, FEBRUARY
26-MARCH 4

Sensitive but unclassified. Please protect accordingly.

1. (U) Summary:

--President Duarte and Chilean President Lagos talk security
--Supreme Court rejects Barakat appeal
--Prosecutors defeat teen prostitution ring
--German national arrested for role in TIP ring
--Colombian nationals arrested with false Bolivian passports
--Fire in natural reserve burning out of control

President Duarte and Chilean President Lagos talk security

2. (U) During a Montevideo bilateral meeting coinciding with the inauguration of Uruguayan President Tabare Vasquez, Chilean President Ricardo Lagos offered President Nicanor Duarte his government's assistance with the implementation of a security plan in Paraguay. The offer coincides with a broad-based outcry in Paraguay for the GOP to improve law enforcement and public security. Lagos offered training courses to Paraguayan police officers and technical assistance to improve the response of Paraguayan police to citizen complaints. As part of the offer, Chile will also send experts to Paraguay to participate in attempts to create "neighborhood watch" programs.

Supreme Court rejects Barakat appeal

3. (U) On March 2, the Supreme Court rejected Assad Barakat's appeal to have his conviction overturned. Barakat, suspected of financial connections with the Lebanese terrorist organization Hizbollah, was convicted in 2003 of tax evasion, and had appealed to the Supreme Court to dismiss the case against him or recognize him as a political prisoner, a claim the Court denied. The rejection of the appeal confirms Barakat's conviction and means that Barakat will serve his full six-year sentence, which will expire in July 2008.

Prosecutors defeat teen prostitution ring

4. (U) On February 27, prosecutors broke up a ring trafficking adolescent girls into prostitution. An "employment agency" in the Asuncion suburb of Lambare recruited girls aged 14 to 16 for work as domestic servants in Asuncion, and sent them to work in a brothel. The girls were never permitted to leave the premises. Police rescued several adolescents from the brothel and arrested three Paraguayan women for forcing minors into prostitution. Teresa Martinez, lead prosecutor for TIP cases in the Attorney General's Office, told PolOff that several South Korean nationals are under investigation for their potential role in the ring. She added that the Attorney General is considering a larger investigation into the activities of employment agencies for domestics.

German national arrested for role in TIP ring

5. (U) Gunther Merz, a German national who had already been arrested in Paraguay and Brazil on multiple occasions, was arrested by Interpol in an Asuncion suburb on March 1, charged with organizing a trafficking ring sending adolescents from the Paraguayan interior into prostitution in Spain. Merz was arrested in 1997 and 2001 on charges of distributing child pornography. He will be held in prison here while the GOP processes extradition requests from Brazil and Germany.

Colombian nationals arrested with false Bolivian passports

6. (SBU) On February 27, police arrested five Colombian nationals found to have false Bolivian passports taped to their bodies. The individuals had cleared immigration with their Colombian passports. In their deposition to Paraguayan

police, the Colombians stated they intended to use the Bolivian passports to attempt to enter the United Kingdom. (Comment: Many South Americans obtain illegitimate passports from neighboring countries to attempt to evade the visa requirements of European countries. However, Bolivians require visas to enter the U.K., and the false passports lacked British visas, real or forged (Bolivian nationals, unlike Colombians, do not need passports to enter other European Union (Shengen) countries). Colombian Ambassador Bernal reported that the names of the five do not appear in any Colombian database and that he had drawn the initial conclusion they were in fact traveling for economic motives and not/not in connection to international crime or terrorism. He agreed to provide us names to check against U.S. lists. End comment.)

Fire in natural reserve burning out of control

17. (U) On March 1, a fire erupted in the San Rafael natural reserve, burning in several locations spanning the departments of Caaguazu and Itapua. As of the March 4, 800 hectares and 17 homes had been consumed, and 200 firefighters are engaged in efforts to put out the fire. The GOP has asked for assistance from neighboring countries, and both Argentine and Brazilian firefighters and water bombers are already en route to the region. The fire began in an area that squatters have held for the last four years, and local authorities told a member of the USAID office they suspect that the fire began when squatters burned their soy crops, fearing that the police were about to evict them.
JOHNSON